Investment in Africa

- A risk worth taking?

Barry Brennan
Introduction

- Brief introduction to Glanbia Ingredients
- The Glanbia Ingredients Focus on Africa
- Our Development story – opportunity and risk
- Some key Learning
<table>
<thead>
<tr>
<th><strong>GIIL is Ireland’s leading dairy processor</strong></th>
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<td><strong>4,300</strong> dedicated farmer suppliers</td>
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<td><strong>1.6bn</strong> litres in 2 processing plants</td>
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<td><strong>30%</strong> of total Irish milk production</td>
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<td><strong>180,000</strong> tonnes of Dairy Ingredients</td>
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<td><strong>Revenue 2012</strong> €695 m</td>
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<td><strong>PAT</strong> €28.3 m</td>
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<td><strong>International Markets</strong> 50 countries</td>
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*it’s in our nature*  
Milk Processing Facilities

Virginia, Co. Cavan

Ballyragget, Co. Kilkenny

Belview Co. Kilkenny [in development]
Glanbia Ingredients Ireland Limited

- Strong global presence in key food markets and sectors around the world
- Glanbia Group Manufacturing and processing in 7 countries, sales / technical support in 14 countries
- Exports/distribution to 50 countries+
Focus on Africa – the Glanbia Ingredients story

• Exporting Milk Powders to the continent of Africa since the mid 1970’s

• Primary focus has been on West Africa, Saharan and Sub-Saharan Africa and down the continental west coast.

• Extensive footprint now in place with significant business presence in 15 countries on the continent.

• Commitment - Bricks and mortar investment in both Nigeria and Senegal through local partnerships

• Advancing “Value add” locally via secondary manufacture

• Facing into the next phase of growth in the Irish milk pool post 2014 –

• We will need to increase our exports and Africa remains a primary focus for us.
The Opportunity in Africa
The opportunity in Africa

More than 50 countries – More than 1 billion people – More than 1,000 languages

• A dairy deficient continent
  • with scope for improvement in output... but with severe challenges...
  • accounting for only 5% of global production
  • dairy consumption increasing by CAGR of 4-5% per annum yet per capita consumption significantly below the required or desired level.

• Population and GDP growth
  • population expected to double between 2010 and 2050 from c 1 billion to 2.2 billion
  • GDP expected to rise by 6% pa over next decade
  • FDI increasing and the impact is tangible on the ground – in 2012 it is expected that FDI has reached $46b

• Accessibility
  • logistically attractive at circa 30 days to market - though not without challenges
  • improvements in infrastructure very evident but internal distribution remaining difficult.
  • Transactional improvements also very evident especially in the legal and financial arenas
Our Evaluation approach is simple

• In-depth market knowledge is everything - down to the nuances - get a grip of the culture in particular.

• Markets don’t necessarily fall under a single canopy - beware of untested adjacency assumptions

• Talk to the Banks

• Whether it is through people or bricks and mortar – you will need to invest locally if you want to develop long term sustainable value/loyalty

• Investments take time to bear fruit and can therefore be frustrating
  • part of the strategy but not the strategy – long term not quick win

• Customer-centric approach and Consumers Awareness also applicable in developing markets
  • Don’t underestimate these consumers who are very discerning
The Opportunity and the Difficulties in Africa

**Opportunity:**
- Strong GDP and population growth
- Significant improvement in infrastructure
- Emergence of political stability
- Improved Governance

**Difficulties:**
- PACE: Pace of developments etc
- Financial stability and credit can be challenging
- Cultural not to be underestimated
- Internal Distribution can be difficult
Investment

People

Facilities

Distribution

Technology & Innovation
To improve the nutritional “Well-Being” of all our consumers by providing safe, high quality, affordable and nutritionally sound products
The Risks
Risks

• Political Instability
• Economic Instability including currency risks
• Governance issues
• Transactional difficulties
• Bureaucracy
• Availability of critical skills locally
• Managing Entrepreneurship
• Dependence on support services
A risk worth taking?

• Our experience tells us that many of the risks associated with this type of investment are real but can be mitigated
  • it goes without saying that we can never eliminate all risks

• Our analysis also tells us that from our perspective there are few better market opportunities
  • where the number of mouths to feed is increasing
  • the need to improve the population health index is so compelling

• The case is therefore compelling and the lessons are clear – the established players on the ground command great consumer loyalty and most importantly develop an “experience curve” resilience
Summary

• Investment decisions – business case dependent but perhaps viewed through a slightly different lens!

• Beware of “drift” - projects demand intense focus, management and some patience

• Our experience suggests you need a “local trusted partner” who shares your vision and possesses complementary skills

• Banking sector important and generally supportive – use them.

• Seek out those established “once upon a time pioneers” for advice and learning’s

• First mover status has many a pitfall ..... but also many advantages particularly customer loyalty
Thank you